

GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2015

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GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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Board of Education

Jim Thiele	President	2015
Tim Tusha	Vice President	2015
Pamela Roberts	Board Member	2017
Jack Toppin	Board Member	2017
David Zrostlik	Board Member	2015

School Officials

Tyler Williams	Superintendent
Patricia A. Schmidt	District Secretary/Treasurer

Gary E. Horton CPA

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Independent Auditor's Report

To the Board of Education of
Garner-Hayfield Community School District:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of Garner-Hayfield Community School District, Garner, Iowa, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above presents fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Garner-Hayfield Community School District as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

As discussed in Note 13 to the financial statements, Garner-Hayfield Community School District adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No 68, Accounting and Financial

Reporting for Pensions . an Amendment of GASB Statement No. 27. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 13 and 44 through 50 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U. S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Garner-Hayfield Community School District's basic financial statements. We previously audited, in accordance with the standards referred in the third paragraph of this report, the financial statements for the nine years ended June 30, 2014 (which are not presented herein). Our opinions for 2006-2012 were unqualified. For 2005 and 2004 we expressed unmodified opinions on the governmental activities, the business type activities, each major fund and the aggregate remaining fund information and we did not issue an opinion on the discretely presented component unit. The supplementary information included in Schedules 1 through 10, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated June 29, 2016 on our consideration of Garner-Hayfield Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide and opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Garner-Hayfield Community School District's internal control over financial reporting and compliance.

BURTON E. TRACY & CO., P.C.
Certified Public Accountants

June 29, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Garner-Hayfield Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2015. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2015 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$10,025,897 in fiscal 2014 to \$10,146,399 in fiscal 2015, while General Fund expenditures increased from \$9,717,024 in fiscal 2014 to \$10,130,900 in fiscal 2015. The District's General Fund balance increased from \$1,260,806 in fiscal 2014 to \$1,279,058 in fiscal 2015, a 1% increase.
- General Fund revenues increases are attributable to an increase in tuition paid to the district, Whole Grade Sharing tuition and an increase in revenue from shared positions: SPED Coordinator, Business Manager, Superintendent, Curriculum Coordinator, and teachers. The increase in expenditures was due primarily to increases in wages due to negotiated settlements, and purchased services of Ventura CSD teachers (5 positions) and the sharing of the Ventura CSD Transportation Director with our District.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Garner-Hayfield Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Garner-Hayfield Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining financial statements provide information about activities for which Garner-Hayfield Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, the District's proportionate share of the net pension liability and related contributions, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Other Supplementary Information provides detailed information about the nonmajor governmental funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the District.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1

Garner-Hayfield Community School District Annual Financial Report

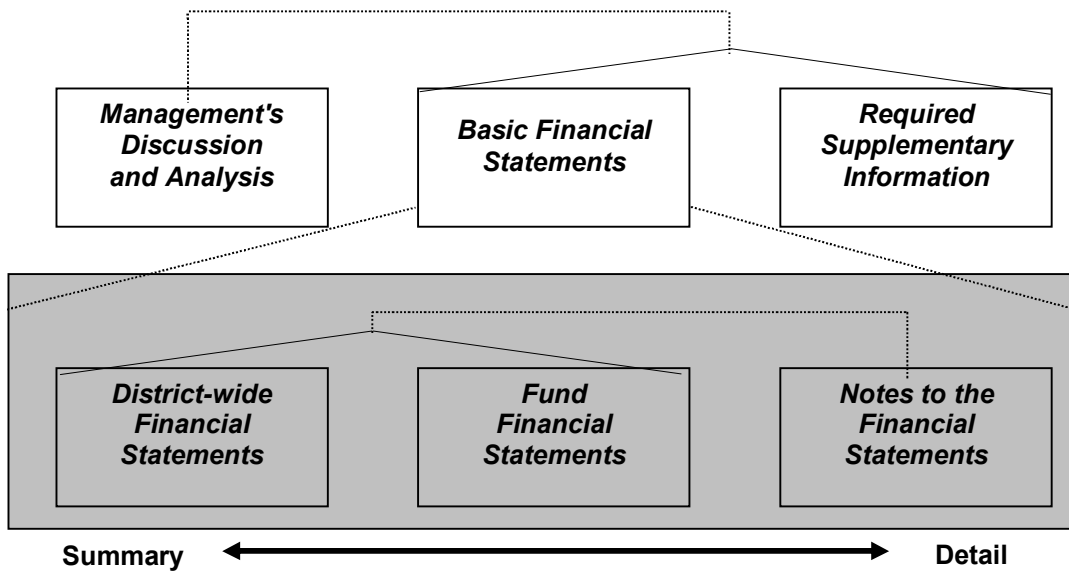


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and the house construction project	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenues, expenses and changes in fund net position • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of deferred outflow/ inflow information	Consumption/ acquisition of net position that is applicable to a future reporting period	Consumption/ acquisition of fund balance that is applicable to a future reporting period	Consumption/ acquisition of net position that is applicable to a future reporting period	Consumption/ acquisition of net position that is applicable to a future reporting period
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net position and how it has changed. Net position is one way to measure the District's financial health or financial position. Over time, increases or

decreases in the District's net position is an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- **Governmental activities:** Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- **Business type activities:** The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here as well as the House Construction Fund program.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or major funds, not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) **Governmental funds:** Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds that consist of Activity, Management, District Support Trust and Physical Plant and Equipment Levy funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

- 2) **Proprietary funds:** Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has two Enterprise Funds, the School Nutrition Fund and the House Construction Fund. The District uses *internal service funds*, the other kind of proprietary fund, to report activities that provide supplies and services for its other programs and activities. The District current has one internal service fund used to account for the District's partial self-funding insurance program.

The required financial statements for proprietary funds include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position and a Statement of Cash Flows.

- 3) **Fiduciary funds:** The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust Fund.

- **Private-Purpose Trust Fund .** The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net position at June 30, 2014 compared to June 30, 2013.

Figure A-3

	Condensed Statement of Net Position						
	Governmental Activities		Business-type Activities		Total School District		Percentage Change
	2015 \$	2014 (Not restated) \$	2015 \$	2014 (Not restated) \$	2015 \$	2014 (Not restated) \$	2014-2015 %
Current and other assets	4,616,914	6,446,669	218,971	201,329	4,835,885	6,647,998	-27%
Capital assets	5,559,189	5,735,970	29,236	33,859	5,588,425	5,769,829	-3%
Total assets	10,176,103	12,182,639	248,207	235,188	10,424,310	12,417,827	-16%
Deferred outflows of resources	780,981	-	25,735	-	806,716	-	100%
Long-term liabilities	3,373,494	557,719	101,214	2,182	3,474,708	559,901	521%
Other liabilities	489,696	472,650	41,271	31,993	530,967	504,643	5%
Total liabilities	3,863,190	1,030,369	142,485	34,175	4,005,675	1,064,544	276%
Deferred inflows of resources	1,135,272	2,444,898	45,813	734	1,181,085	2,445,632	-52%
Net Position:							
Investment in capital assets	5,559,189	5,649,588	29,236	33,859	5,588,425	5,683,447	-2%
Restricted	2,709,358	2,087,037	0	0	2,709,358	2,087,037	30%
Unrestricted	(2,309,924)	970,747	56,408	166,420	(2,253,516)	1,137,167	-298%
TOTAL NET POSITION	5,958,623	8,707,372	85,644	200,279	6,044,267	8,907,651	-32%

The District's total net position decreased by 32%, or \$2,863,384, from the prior year. The largest portion of the District's net position is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. The biggest items to impact this amount were succeeding year property taxes, delinquent property taxes, and amounts due from other government bodies (tuition, etc.). Investment in capital assets decreased by 16% due to depreciation outpacing new purchases and renovations. Long-term liabilities increased mainly due to the reporting of net pension liability for IPERS being included in the report for the first time.

Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased \$622,321, or 30%, over the prior year. The increase was primarily a result of decreased expenditures in the Capital Projects Fund and pension liabilities.

Unrestricted net position . the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements . decreased by \$3,390,683 or 298%. This reduction in unrestricted net position was primarily a result of the District's net pension liability net pension expense recorded in the current year.

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions . an Amendment of GASB Statement No. 27 was implemented during fiscal year 2015. The beginning net position as of July 1, 2014 for governmental activities and business type activities were restated by \$3,526,343 and \$116,197, respectively, to retroactively report the net pension liability as of June 30, 2013

and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. Fiscal year 2013 and 2014 financial statement amounts for net pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources were not restated because the information was not available. In the past, pension expense was the amount of the employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

Figure A-4 shows the change in net position for the years ended June 30, 2015 compared to the year ended June 30, 2014.

Figure A-4

	Change in Net Position						
	Governmental Activities		Business-type Activities		Total School District		Percentage Change
	2015 \$	2014 (Not restated) \$	2015 \$	2014 (Not restated) \$	2015 \$	2014 (Not restated) \$	2014-2015 %
Revenues							
Program Revenues:							
Charges for services	2,544,640	2,454,004	604,068	274,611	3,148,708	2,728,615	15%
Operating grants & contributions	1,559,227	1,508,657	191,659	190,859	1,750,886	1,699,516	3%
Capital grants & contributions							
General Revenues:							
Property taxes	2,420,508	2,497,857			2,420,508	2,497,857	-3%
Income Surtax	523,530	502,064			523,530	502,064	4%
Statewide sales tax	761,442	685,151			761,442	685,151	11%
Unrestricted state grants	4,083,700	3,979,356			4,083,700	3,979,356	3%
Unrestricted investment earnings	19,488	13,926	69	63	19,557	13,989	40%
Other revenue	228,497	8,729			228,497	8,729	2,518%
Total Revenues	12,141,032	11,649,744	795,796	465,533	12,936,828	12,115,277	7%
Expenses:							
Instruction	7,723,528	7,259,077			7,723,528	7,259,077	6%
Support services	2,829,529	2,733,420			2,829,529	2,733,420	4%
Non-instructional programs	0	0	794,234	484,663	794,234	484,663	64%
Other expenditures	810,381	738,550			810,381	738,550	10%
Total expenses	11,363,438	10,731,047	794,234	484,663	12,157,672	11,215,710	8%
Transfers	0	9,382	0	(9,382)	0	0	
CHANGE IN NET POSITION	777,594	928,079	1,562	(28,512)	779,156	899,567	-13%
Net position beginning of year, as restated	5,181,029	7,779,293	84,082	228,791	5,265,111	8,008,084	-34%
Net position end of year	5,958,623	8,707,372	85,644	200,279	6,044,267	8,907,651	-32%

In fiscal year 2015 property tax and unrestricted state grants account for 50% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 87% of the total expenses.

As shown in figure A-4, the District as a whole experienced a 7% increase in revenues and a 8% increase in expenses. The Whole Grade Sharing agreement with the Ventura Community School District as well as the sharing of more administrative staff and teachers impacted both the revenues and expenditures. The increases in expenses related to increases in the negotiated salaries and benefit also had an impact on the expenditure side.

Governmental Activities

Revenues for governmental activities were \$12,141,032 and expenses were \$11,363,438. The increase in revenues allowed the district to increase the ending fund balance in a year when expenditures also increased.

The following table presents the total and net cost of the District's major governmental activities, instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2015 compared to the year ended June 30, 2014.

Figure A-5

	Total Cost of Services			Net Cost of Services		
	2015	2014 (Not restated)	Percent Change 2014-2015	2015	2014 (Not restated)	Percent Change 2014-2015
	\$		%	\$	\$	
Instruction	7,723,528	7,259,077	6%	4,343,745	3,968,695	9%
Support Services	2,829,529	2,733,420	4%	2,450,365	2,386,988	3%
Other Expenses	810,381	738,550	10%	465,461	412,703	13%
TOTAL	11,363,438	10,731,047	6%	7,259,571	6,768,386	7%

For the year ended June 30, 2015

- The cost of all governmental activities this year was \$11,363,438.
- The cost financed by users of the District's programs was \$2,544,640. Most of these revenues are derived from tuition charged to other school districts and from student activities.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,559,227.
- The net cost of governmental activities was financed with \$3,705,480 in property and local other taxes and \$4,083,700 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$795,796 and expenses were \$794,234. The District's business type activities include the School Nutrition Fund and the House Construction Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income. The increase in revenues and expenditures for 2015 is due to the sale of two student built home in the same fiscal year.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Garner-Hayfield Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$3,653,740, above last year's ending fund balances of \$3,029,495 with the bulk of the increase in the Capital Projects Fund.

Governmental Fund Highlights

- The District's General Fund financial position is improving and is the result of many factors. Growth during the year in state funding sources and charges for services resulted in an increase in revenues. The board and administration continually look for ways to provide a quality educational experience to the students of this District in a fiscally responsible manner and the Whole Grade Sharing agreement is an example of this. The Board and Administration is looking at ways to best provide services during times of economic downturns and yet still meet the requirements of No Child Left Behind and other state, federal, and local expectations. The administration of the Garner-Hayfield Community School District feels that our enrollment is stabilizing and the District should not see large swings in either direction in coming years.

- The General Fund balance increased from \$1,260,806 to \$1,279,058, due in large part the increase in tuition paid to our district from other districts. The increase in revenue experienced by the District also is reflected in this increase.
- The Capital Projects Fund balance increased due to the diligence of the board to set aside monies for a possible renovation of the high school building in the near future. The District ended fiscal 2015 with a balance of \$2,003,643 which will be used for further renovations, equipment purchases, and roof replacements.

Proprietary Fund Highlights

The School Nutrition Fund and the House Construction fund net position increased from \$84,082, restated at June 30, 2014 to \$85,644 at June 30, 2015, representing an increase of 2%. Nutrition Fund accounts receivables decreased by approximately \$4,230. Efforts continue to be taken to address the negative lunch account balances. However, in the School Nutrition Fund the District also reflected the related expenses for the net OPEB liability, which caused an overall reduction of net position

BUDGETARY HIGHLIGHTS

Over the course of the year, the Garner-Hayfield Community School District receipts were \$580,250 more than budgeted receipts, a variance of 5%. The most significant variance resulted from the District receiving more in state sources than originally anticipated as well as the open enrollment tuition.

Total expenditures were \$358,520 less than budgeted, due primarily to decreased spending for building repairs and upgrades as the district prepares for a possible renovation of the high school building. The District manages or controls General Fund spending through its line-item budget. The District's certified budget should always exceed actual expenditures for the year and we budget between what we think we will actually spend and the maximum authorized spending authority for the General Fund.

In spite of the District's budgetary practice, the certified budget was exceeded in the instruction and non-instructional functional areas due to the timing of expenditures paid at year-end without sufficient time to amend the certified budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2015, the District had invested \$5,588,425 net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net decrease of 3% from last year. More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$450,987.

The largest change in capital asset activity during the year occurred in the buildings area as fewer projects were undertaken and another year of depreciation was added.

Figure A-6

Capital Assets (net of depreciation)

	Governmental Activities		Business type Activities		Total School District		Percentage Change
	2015	2014	2015	2014	2015	2014	2014-2015
	\$	\$	\$	\$	\$	\$	%
Land	48,803	48,803	0	0	48,803	48,803	0%
Construction in progress	9,400	0	0	0	9,400	0	100%
Buildings	4,574,412	4,721,007	0	0	4,574,412	4,721,007	-3%
Improvements	392,587	427,469	0	0	392,587	427,469	-8%
Equipment & furniture	533,987	538,691	29,236	33,859	563,223	572,550	-2%
TOTAL	5,559,189	5,735,970	29,236	33,859	5,588,425	5,769,829	-3%

Long-Term Debt

At June 30, 2015 the District had \$3,472,159 of other long-term debt outstanding. This represents a decrease of approximately 25% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

The early retirement debt decreased by \$59,060 due to the completion of early retirement benefits for some participants and there being no early retirement offered during the 2014-2015 fiscal year.

The district also completed the capital lease agreement for student computers during 2014-2015 which also lowered the outstanding debt total.

The District's obligation for compensated absences decreased by \$55,814. This change was due to a change in policy concerning vacation carry-over and two employees received payment to reduce their accrued vacation balances. Employees will now only be able to carry into the next year 40 days of vacation and any unused over that amount will be lost.

Figure A-7

Outstanding Long-Term Obligations

	Total School District		Percentage Change
	2015	2014	2014-2015
	\$	\$	%
Governmental activities:			
Capital leases	0	86,382	-100%
Termination benefits	148,210	207,270	-28%
Compensated absences	121,007	176,821	-32%
Net pension liability	2,976,817	3,964,950	-25%
Net OPEB liability	124,911	87,246	43%
Business type activities:			
Net pension liability	98,090	130,650	-25%
Net OPEB liability	3,124	2,182	43%
	3,472,159	4,655,501	-25%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- School financing is highly dependent upon student enrollment. The District's October 2014 enrollment decreased by 26.32 students K-12. The District is in the third year of a Whole Grade Sharing Agreement with the Ventura Community School District. The District is in the second year of a sharing agreement for the services of the Transportation Director with the Ventura Community School District that will provide supplemental weighting to our District. The District is sharing the services of our Superintendent with the Ventura Community School District again this year and this will provide supplemental weighting to our District in the future as well as one-half of his salaries and expenses reimbursed by the Ventura Community School District. The district is also sharing the services of the business manager, curriculum coordinator, special education coordinator, and five teachers with the Ventura Community School District. Supplemental weighting will be received for the shared Business Manager position. A portion of the salaries and benefits for the K-8 technology director, business manager, curriculum coordinator, and special education coordinator will be reimbursed by the Ventura Community School District.
- On September 9, 2014, the patrons of both the Garner-Hayfield and Ventura Community School District (our whole grade sharing partner) voted to re-organize and become the Garner-Hayfield-Ventura Community School District effective July 1, 2015.
- The District will negotiate a new contract with the Garner-Hayfield-Ventura Education Association (GHVEA) and the Garner-Hayfield-Ventura Education Services Association (GHVESA) during fiscal 2016. Settlements in excess of new money+or allowable growth in state funding will have an adverse effect on the District's General Fund budget and related fund balance.
- The Garner community continues to grow and the business and manufacturing climate remains strong in our community which gives stability to enrollment in our district. New housing continues to be built in the new subdivision in town.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Tyler Williams, Superintendent, or Patricia A. Schmidt, District Secretary/Treasurer and Business Manager, Garner-Hayfield Community School District, 605 Lyon St., Garner, IA 50438.

BASIC FINANCIAL STATEMENTS

GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

Statement of Net Position

June 30, 2015

	Governmental Activities	Business Type Activities	Total	Garner- Hayfield Community School District Education Foundation
	\$	\$	\$	\$
Assets				
Cash, cash equivalents and pooled investments	3,627,734	209,199	3,836,933	21,272
Investments	-	-	-	1,076,757
Receivables:				
Property tax:				
Delinquent	23,050	-	23,050	-
Accounts	443,821	5,897	449,718	-
Due from other governments	507,309	-	507,309	-
Internal balances	15,000	(15,000)	-	-
Inventories	-	18,875	18,875	-
Capital assets, net of accumulated depreciation	5,559,189	29,236	5,588,425	-
Total assets	10,176,103	248,207	10,424,310	1,098,029
Deferred Outflows of Resources				
Pension related deferred outflows	780,981	25,735	806,716	-
Liabilities				
Accounts payable	466,860	41,271	508,131	-
Due to other governments	22,836	-	22,836	-
Long-term liabilities:				
Portion due within one year:				
Termination benefits	50,667	-	50,667	-
Compensated absences	30,251	-	30,251	-
Portion due after one year:				
Termination benefits	100,092	-	100,092	-
Compensated absences	90,756	-	90,756	-
Net pension liability	2,976,817	98,090	3,074,907	-
Net OPEB liability	124,911	3,124	128,035	-
Total liabilities	3,863,190	142,485	4,005,675	-
Deferred Inflows of Resources:				
Pension related deferred inflows	1,135,272	37,409	1,172,681	-
Other	-	8,404	8,404	-
Total deferred inflows of resources	1,135,272	45,813	1,181,085	-

See notes to financial statements.

GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

Statement of Net Position

June 30, 2015

	Governmental Activities	Business Type Activities	Total	Garner- Hayfield Community School District Education Foundation
	\$	\$	\$	\$
Net position				
Net investment in capital assets	5,559,189	29,236	5,588,425	-
Restricted for:				
Endowment by donors	-	-	-	1,076,757
Categorical funding	364,169	-	364,169	-
Management levy	65,780	-	65,780	-
Physical plant and equipment levy	317,212	-	317,212	-
Student activities	140,705	-	140,705	-
School infrastructure	1,812,997	-	1,812,997	-
Debt service	8,495	-	8,495	-
Unrestricted	(2,309,924)	56,408	(2,253,516)	21,272
Total net position	<u>5,958,623</u>	<u>85,644</u>	<u>6,044,267</u>	<u>1,098,029</u>

GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2015

<u>Functions/Programs</u>	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
	\$	\$	\$	\$
Governmental activities:				
Instruction:				
Regular	4,893,874	1,708,307	810,368	-
Special	1,315,924	349,367	98,955	-
Other	1,513,730	299,271	113,515	-
	<u>7,723,528</u>	<u>2,356,945</u>	<u>1,022,838</u>	<u>-</u>
Support services:				
Student	507,873	-	-	-
Instructional staff	271,136	-	191,469	-
Administration	917,641	186,858	-	-
Operation and maintenance of plant	840,780	310	-	-
Transportation	292,099	527	-	-
	<u>2,829,529</u>	<u>187,695</u>	<u>191,469</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	182,403	-	-	-
AEA flowthrough	344,920	-	344,920	-
Depreciation (unallocated)*	283,058	-	-	-
	<u>810,381</u>	<u>-</u>	<u>344,920</u>	<u>-</u>
Total governmental activities	<u>11,363,438</u>	<u>2,544,640</u>	<u>1,559,227</u>	<u>-</u>
Business type activities:				
Non-instructional programs:				
Food service operations	460,324	254,940	191,659	-
Student house construction project	333,910	349,128	-	-
Total business type activities	<u>794,234</u>	<u>604,068</u>	<u>191,659</u>	<u>-</u>
Total primary government	<u>12,157,672</u>	<u>3,148,708</u>	<u>1,750,886</u>	<u>-</u>
Component Units				
Garner-Hayfield Community School				
District Education Foundation	35,233	-	4,920	-
Total	<u>12,192,905</u>	<u>3,148,708</u>	<u>1,755,806</u>	<u>-</u>

General Revenues:

Property taxes levied for:	
General purposes	
Capital outlay	
Income surtax	
Statewide sales, services and use tax	
Unrestricted state grants	
Unrestricted investment earnings	
Investment income	
Other	
Total general revenues	

Change in net position

Net position beginning of year (restated)

Net position end of year

*This amount excludes the depreciation that is included in the direct expenses of the various programs.

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business Type Activities	Total	Component Unit
\$	\$	\$	\$
(2,375,199)	-	(2,375,199)	-
(867,602)	-	(867,602)	-
(1,100,944)	-	(1,100,944)	-
(4,343,745)	-	(4,343,745)	-
(507,873)	-	(507,873)	-
(79,667)	-	(79,667)	-
(730,783)	-	(730,783)	-
(840,470)	-	(840,470)	-
(291,572)	-	(291,572)	-
(2,450,365)	-	(2,450,365)	-
(182,403)	-	(182,403)	-
-	-	-	-
(283,058)	-	(283,058)	-
(465,461)	-	(465,461)	-
(7,259,571)	-	(7,259,571)	-
-	(13,725)	(13,725)	-
-	15,218	15,218	-
-	1,493	1,493	-
(7,259,571)	1,493	(7,258,078)	-
-	-	-	(30,313)
(7,259,571)	1,493	(7,258,078)	(30,313)
2,313,779	-	2,313,779	-
106,729	-	106,729	-
523,530	-	523,530	-
761,442	-	761,442	-
4,083,700	-	4,083,700	-
19,488	69	19,557	-
-	-	-	74,965
228,497	-	228,497	-
8,037,165	69	8,037,234	74,965
777,594	1,562	779,156	44,652
5,181,029	84,082	5,265,111	1,053,377
5,958,623	85,644	6,044,267	1,098,029

GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2015

	General	Capital	Nonmajor	Total
	\$	Projects	Governmental	\$
		\$	\$	
Assets				
Cash, cash equivalents and pooled investments	1,060,062	1,911,943	360,890	3,332,895
Receivables:				
Property tax:				
Delinquent	19,689	1,002	2,359	23,050
Accounts	311,029	80	14,224	325,333
Interfund receivable	18,000	-	-	18,000
Due from other governments	380,743	245,054	-	625,797
Total assets	1,789,523	2,158,079	377,473	4,325,075
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	150,119	27,870	6,434	184,423
Due to other governments	22,836	-	-	22,836
Total liabilities	172,955	27,870	6,434	207,259
Deferred inflows of resources:				
Unavailable revenues:				
Income surtax	337,510	126,566	-	464,076
Fund balances:				
Restricted for:				
Categorical funding	364,169	-	-	364,169
Debt service	-	-	8,495	8,495
Management levy	-	-	216,539	216,539
Student activities	-	-	146,005	146,005
School infrastructure	-	1,812,997	-	1,812,997
Physical plant and equipment	-	190,646	-	190,646
Unassigned	914,889	-	-	914,889
Total fund balances	1,279,058	2,003,643	371,039	3,653,740
Total liabilities, deferred inflows of resources and fund balances	1,789,523	2,158,079	377,473	4,325,075

GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Position

June 30, 2015

\$

Total fund balances of governmental funds (Exhibit C)	3,653,740
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***Amounts reported for governmental activities in the
Statement of Net Position are different because:***

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	5,559,189
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Other long-term assets are not available to pay current period expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds.	464,076
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Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:

Deferred outflows of resources	780,981	
Deferred inflows of resources	(1,135,272)	(354,291)

An internal service fund is used by the District's management to charge the costs health insurance and health insurance deductible reimbursements to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities.	9,403
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Long-term liabilities, including notes payable, capital leases payable, termination benefits, compensated absences, other postemployment benefits and net pension liability are not due and payable in the current year and, therefore, are not reported as liabilities in the governmental funds.	(3,373,494)
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Net position of governmental activities (Exhibit A)	5,958,623
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GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Year ended June 30, 2015

	General	Capital	Nonmajor	Total
	\$	Projects	Governmental	\$
		\$	\$	
Revenues:				
Local sources:				
Local tax	2,374,977	222,502	247,530	2,845,009
Tuition	1,519,941	-	-	1,519,941
Other	613,312	8,869	434,377	1,056,558
State sources	5,235,501	762,997	3,203	6,001,701
Federal sources	402,668	-	-	402,668
Total revenues	10,146,399	994,368	685,110	11,825,877
Expenditures:				
Current:				
Instruction:				
Regular	4,687,965	-	74,571	4,762,536
Special	1,310,745	-	-	1,310,745
Other	1,098,851	-	411,112	1,509,963
	7,097,561	-	485,683	7,583,244
Support services:				
Student	506,931	-	-	506,931
Instructional staff	270,665	-	-	270,665
Administration	893,584	-	14,117	907,701
Operation and maintenance of plant	784,047	-	57,941	841,988
Transportation	233,192	113,985	20,257	367,434
	2,688,419	113,985	92,315	2,894,719
Other expenditures:				
Facilities acquisition	-	292,615	-	292,615
Long-term debt:				
Principal	-	-	86,382	86,382
Interest and fiscal charges	-	-	2,505	2,505
AEA flowthrough	344,920	-	-	344,920
	344,920	292,615	88,887	726,422
Total expenditures	10,130,900	406,600	666,885	11,204,385
Excess (deficiency) of revenues over (under) expenditures	15,499	587,768	18,225	621,492
Other financing sources (uses):				
Compensation for loss of fixed assets	1,755	-	-	1,755
Sales of equipment	998	-	-	998
Transfers in	-	-	88,887	88,887
Transfers out	-	(88,887)	-	(88,887)
Total other financing sources (uses)	2,753	(88,887)	88,887	2,753
Change in fund balances	18,252	498,881	107,112	624,245
Fund balances beginning of year	1,260,806	1,504,762	263,927	3,029,495
Fund balances end of year	1,279,058	2,003,643	371,039	3,653,740

See notes to financial statements.

GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
to the Statement of Activities

Year ended June 30, 2015

	\$	\$
Change in fund balances - total governmental funds (Exhibit E)		624,245
<i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures, gain on assets disposed of and depreciation expense in the current year are as follows:		
Gain on assets disposed of	18,138	
Expenditures for capital assets	251,445	
Depreciation expense	<u>(446,364)</u>	(176,781)
Income surtaxes and other revenues not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the Statement of Activities.		99,029
Repayment of long-term liability principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		86,382
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.		2,505
The current year District employer share of IPERS contributions are reported as expenditures in the governmental funds, but are reported as a deferred outflow of resources in the Statement of Net Position.		455,784
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:		
Termination benefits	56,511	
Compensated absences	55,814	
Pension expense	(260,549)	
Other postemployment benefits	<u>(37,665)</u>	(185,889)
An internal service fund is used by the District's management to charge the costs of the health insurance premiums and health insurance deductible reimbursements to the individual funds. The net revenue (expense) of the internal service fund is reported with governmental activities.		<u>(127,681)</u>
Changes in net position of governmental activities (Exhibit B)		<u><u>777,594</u></u>

GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

Statement of Net Position
Proprietary Funds

June 30, 2015

	Nonmajor Enterprise Funds \$	Governmental Activities - Internal Service Fund \$
Assets		
Current assets:		
Cash and cash equivalents	209,199	294,839
Accounts receivable	5,897	1
Inventories	18,875	-
Total current assets	<u>233,971</u>	<u>294,840</u>
Noncurrent assets:		
Capital assets, net of accumulated depreciation	<u>29,236</u>	<u>-</u>
Total assets	<u>263,207</u>	<u>294,840</u>
Deferred Outflows of Resources		
Pension related deferred outflows	<u>25,735</u>	<u>-</u>
Liabilities		
Current liabilities:		
Accounts payable	41,271	282,437
Interfund payables	15,000	3,000
Deferred revenue	8,404	-
Total current liabilities	<u>64,675</u>	<u>285,437</u>
Noncurrent liabilities:		
Net pension liability	98,090	-
Net OPEB liability	3,124	-
Total noncurrent liabilities	<u>101,214</u>	<u>-</u>
Total liabilities	<u>165,889</u>	<u>285,437</u>
Deferred Inflows of Resources		
Pension related deferred inflows	<u>37,409</u>	<u>-</u>
Net position		
Investment in capital assets	29,236	-
Unrestricted	<u>56,408</u>	<u>9,403</u>
Total net position	<u>85,644</u>	<u>9,403</u>

GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds

Year ended June 30, 2015

	Nonmajor Enterprise Funds \$	Governmental Activities - Internal Service Fund \$
Operating revenue:		
Local sources:		
Sale of student constructed homes	349,128	-
Charges for service	254,940	1,405,309
Total operating revenue	<u>604,068</u>	<u>1,405,309</u>
Operating expenses:		
Non-instructional programs:		
Salaries	175,466	-
Benefits	24,298	1,506,448
Purchased services	-	26,553
Supplies	589,838	-
Depreciation	4,623	-
Other	9	-
Total operating expenses	<u>794,234</u>	<u>1,533,001</u>
Operating income (loss)	<u>(190,166)</u>	<u>(127,692)</u>
Non-operating revenues:		
State sources	3,583	-
Federal sources	188,076	-
Interest income	69	11
Total non-operating revenues	<u>191,728</u>	<u>11</u>
Change in net position	1,562	(127,681)
Net position beginning of year (as restated)	<u>84,082</u>	<u>137,084</u>
Net position end of year	<u><u>85,644</u></u>	<u><u>9,403</u></u>

GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2015

	Nonmajor Enterprise Funds	Governmental Activities - Internal Service Fund
	\$	\$
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	266,841	-
Cash payments from sale of house	349,128	-
Cash payments from services to other funds	-	1,425,605
Cash paid to employees for services	(175,466)	(1,366,385)
Cash paid to suppliers for goods or services	(401,120)	-
Net cash used by operating activities	<u>39,383</u>	<u>59,220</u>
Cash flows from non-capital financing activities:		
Loan from (repaid to) General Fund	-	3,000
State grants received	3,583	-
Federal grants received	154,839	-
Net cash provided by non-capital financing activities	<u>158,422</u>	<u>3,000</u>
Cash flows from capital and related financing activities:		
Proceeds from (repayment of) bank loan	<u>(20,000)</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments	<u>69</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	177,874	62,220
Cash and cash equivalents at beginning of year	<u>31,325</u>	<u>232,608</u>
Cash and cash equivalents at end of year	<u><u>209,199</u></u>	<u><u>294,828</u></u>
Reconciliation of operating income (loss) to net cash used by operating activities:		
Operating income (loss)	(190,166)	(127,692)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:		
Commodities used	33,237	-
Depreciation	4,623	-
Decrease (increase) in inventories	156,001	-
Decrease (increase) in accounts receivable	4,231	19,756
(Decrease) increase in accounts payable	29,278	167,156
(Decrease) increase in deferred revenue	7,670	-
Decrease in net pension liability	(32,560)	-
Increase in deferred outflows of resources	(11,282)	-
Increase in deferred inflows of resources	37,409	-
(Decrease) increase in other postemployment benefits	942	-
Net cash used by operating activities	<u><u>39,383</u></u>	<u><u>59,220</u></u>

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2015, the District received \$33,237 of federal commodities.

GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Position
Fiduciary Funds

June 30, 2015

	Private Purpose Trust Scholarship
	<u>\$</u>
Assets	
Cash, cash equivalents and pooled investments	15,225
Liabilities	<u>-</u>
Net Position	
Reserved for scholarships	<u><u>15,225</u></u>

GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Position
Fiduciary Funds

Year ended June 30, 2015

	Private Purpose Trust Scholarship
	<u>\$</u>
Additions:	
Local sources:	
Gifts and contributions	1,000
Interest	<u>19</u>
Total additions	<u>1,019</u>
Deductions:	
Support services:	
Scholarships awarded	<u>3,250</u>
Change in net position	(2,231)
Net position beginning of year	<u>17,456</u>
Net position end of year	<u><u>15,225</u></u>

GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2015

1. Summary of Significant Accounting Policies

Garner-Hayfield Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. The geographic area served includes the Cities of Garner and Hayfield, Iowa and the predominately agricultural territory in a portion of Hancock County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Garner-Hayfield Community School District has included all funds, organizations, agencies, boards, commissions, and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) The potential for the organization to provide specific benefits to or impose specific financial burdens on the District. The District has no component units which meet the Governmental Accounting Standards Board criteria.

The Garner-Hayfield Community School District Education Foundation has been included in the financial statements as required by Chapters 11.6 and 279.62 of the Code of Iowa. It is included as a discretely presented component unit. The Garner-Hayfield Community School District Education Foundation was established, by the District, for charitable, educational, and scientific purposes which benefit the Garner-Hayfield Community School District. Foundation financial statements are shown in the Statement of Net Position and the Statement of Activities in separate columns.

Also, the All Sports Booster Club was established by the District during fiscal year 2007 under Chapter 279.62 of the Code of Iowa. As required by Chapter 11.6 of the Code of Iowa, the booster club has been audited as part of the District's annual audit and is blended as part of the Nonmajor Student Activity Fund.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Position and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities,

which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Position presents the District's nonfiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories:

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction, or improvement of those assets.

Restricted net position results when constraints placed on net position use are either externally imposed or are imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions, and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements . Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds. Combining schedules are also included for the Capital Project Fund accounts.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The District had two proprietary enterprise funds during the year ended June 30, 2015. The School Nutrition Fund is used to account for the food service operations of the District. The Student Construction Fund is used to account for the proceeds from the sale of and the costs of the construction of a house.

The District's Internal Service Fund is also reported as a proprietary fund. The Internal Service Fund is used to account for the District's health insurance plan premiums and medical deductible reimbursement plan.

The District also reports fiduciary funds, which focus on net position and changes in net position. The District's fiduciary funds include the following:

The Private-Purpose Trust Fund is used to account for assets held by the District under trust agreements, which require income earned to be used to benefit individuals through scholarship awards.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants, and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted, net position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the district's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications . committed, assigned, and then unassigned fund balances.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Cash Equivalents and Pooled Investments - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the Statement of Cash Flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable . Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2013 assessed property valuations; is for the tax accrual period July 1, 2014 through June 30, 2015 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2014.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants, and reimbursements from other governments.

Inventories - Inventories are valued the lower of cost or market, using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets . Capital assets, which include property, furniture and equipment and intangibles, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
	\$
Land	-
Buildings	3,000
Improvements other than buildings	3,000
Intangibles	25,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	3,000

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	20-50 years
Improvements other than buildings	20 years
Intangibles	3-10 years
Furniture and equipment	5-12 years

The District's collection of library books and other similar materials are not capitalized. These collections are unencumbered, held for public exhibition and education, protected, cared for and preserved and subject to District policy that requires proceeds from the sale of these items, if any, to be used to acquire other collection items.

Deferred Outflows of Resources . Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer's reporting period.

Advances from Grantors . Grant proceeds which have been received by the District but will be spent in a succeeding fiscal year.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation and sick leave for subsequent use. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental fund financial statements only for vacation and sick leave time that has been used. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2014. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-term Liabilities . In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Position.

Pensions . For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees Retirement System (IPERS) and additions to/deductions from IPERS fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows of Resources . Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources

(revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivable and other receivables not collected within sixty days after year end.

Deferred inflows of resources in the Statement of Net Position consist of succeeding year property tax receivables that will not be recognized until the year for which it is levied and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

Fund Equity . In the governmental fund financial statements fund balances are classified as follows:

Restricted . Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Unassigned . All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2015, expenditures in the instruction and non-instructional functional areas exceeded the amounts budgeted.

2. **Cash, Cash Equivalents and Pooled Investments**

The District's deposits in banks at June 30, 2015 were entirely covered by federal depository insurance, or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2015, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$25,954 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated AAAM by Standard & Poor's Financial Services.

3. **Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2015 is as follows:

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
		\$
Nonmajor Debt Service	Capital Projects Fund	88,887

The transfers moved revenues from the fund statutorily required to collect the resources to the funds statutorily required to expend the resources.

4. Capital Assets

Capital assets activity for the year ended June 30, 2015 is as follows:

	Balance Beginning of Year \$	Increases \$	Decreases \$	Balance End of Year \$
Governmental activities:				
Capital assets not being depreciated:				
Land	48,803	-	-	48,803
Construction in progress	-	9,400	-	9,400
Total capital assets not being depr.	48,803	9,400	-	58,203
Capital assets being depreciated:				
Buildings	8,528,249	94,823	-	8,623,072
Improvements other than buildings	817,786	5,989	-	823,775
Furniture and equipment	1,999,090	141,233	18,510	2,121,813
Total capital assets being deprec.	11,345,125	242,045	18,510	11,568,660
Less accumulated depreciation for:				
Buildings	3,807,242	242,361	943	4,048,660
Improvements other than buildings	390,317	40,697	(174)	431,188
Furniture and equipment	1,460,399	163,306	35,879	1,587,826
Total accumulated depreciation	5,657,958	446,364	36,648	6,067,674
Total capital assets being depreciated, net	5,687,167	(204,319)	(18,138)	5,500,986
Governmental activities capital assets, net	5,735,970	(194,919)	(18,138)	5,559,189
Business type activities:				
Furniture and equipment	183,966	-	-	183,966
Less accumulated depreciation	150,107	4,623	-	154,730
Business type activities capital assets, net	33,859	(4,623)	-	29,236

Depreciation expense was charged to the following functions:

	\$
Governmental activities:	
Instruction:	
Regular	115,943
Support services:	
Student support	-
Administration	6,173
Operation and maintenance of plant services	1,525
Transportation	39,665
	163,306
Unallocated depreciation	283,058
Total depreciation expense . governmental activities	446,364
Business type activities:	
Food services	4,623

5. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2015, are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
Governmental activities:					
Capital lease	86,382	-	86,382	-	-
Termination benefits	207,270	-	59,060	148,210	50,667
Compensated absences	176,821	-	55,814	121,007	30,251
Net pension liability	3,964,950	-	988,133	2,976,817	-
Net OPEB liability	87,246	37,665	-	124,911	-
Total	4,522,669	37,665	1,189,389	3,370,945	80,918
Business type activities:					
Net pension liability	130,650	-	32,560	98,090	-
Net OPEB liability	2,182	942	-	3,124	-
Total	132,832	942	32,560	101,214	-

Termination Benefits

The District offered a voluntary early retirement plan to its employees in fiscal year 2012 and in several prior years. Eligible employees must be at least age fifty-five on or before July 1, in the calendar year in which early retirement commenced and must have 10 years of consecutive service.

Fiscal year 2012 early retirement benefits consist of the school paying up to \$40,000 of health insurance premiums per retiree.

At June 30, 2015, the District has obligations to 8 participants with a total liability of \$148,210. Actual early retirement expenditures for the year ended June 30, 2015 totaled \$59,060.

Capital Leases

The District has leased computers under a capital lease. The lease was paid at June 30, 2015.

6. Pension Plan

Plan Description . IPERS membership is mandatory for employees of the District, except for those covered by another retirement system. Employees of the District are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 nor at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits . A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member\$ years of

service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a regular member's monthly IPERS benefits includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits . A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement. Death benefits depend on the benefit option the member selected at retirement.

Contributions . Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS's Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the entry age normal actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, regular members contributed 5.95 percent of pay and the District contributed 8.93 percent for a total rate of 14.88 percent.

The District's contributions to IPERS for the year ended June 30, 2015 were \$470,803.

Net Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions . At June 30, 2015, the District reported a liability of \$3,074,907 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the District's collective proportion was 0.077534 percent, which was an increase of 0.006203 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$269,135. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred outflows of Resources	Deferred Inflows of Resources
	\$	\$
Differences between expected and actual experience	33,418	-
Changes in assumptions	135,703	-
Net difference between projected and actual earnings on pension plan investments	-	1,172,681
Change in proportion and differences between District contributions and proportionate share of contributions	166,792	-
District contributions subsequent to the measurement date	470,803	-
Total	806,716	1,172,681

\$470,803 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	
	\$
2016	371,655
2017	371,655
2018	371,655
2019	371,655
2020	21,974
Total	1,508,594

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions . The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2014)	3.00 percent per annum
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00 percent, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50 percent, compounded annually, net of investment expense, including inflation.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These

ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
	%	
US Equity	23	6.31
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(0.69)
Total	100	

Discount Rate . The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the District will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate . The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
	\$	\$	\$
District proportionate share of the net pension liability	5,809,951	3,074,907	766,247

Pension Plan Fiduciary Net Position . Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS's website at www.ipers.org.

Payables to the Pension Plan . At June 30, 2015, the District reported no payables to the defined benefit pension plan for legally required employer contributions or for legally required employee contributions.

7. Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 82 active and 19 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2015, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

	\$
Annual required contribution	270,000
Interest on net OPEB obligation	4,024
Adjustment to annual required contribution	(3,417)
Annual OPEB cost	<u>270,607</u>
Contributions made	<u>(232,000)</u>
Increase in net OPEB obligation	38,607
Net OPEB obligation beginning of year	<u>89,428</u>
Net OPEB obligation end of year	<u>128,035</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2012. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2015.

For the year ended June 30, 2015, the District contributed \$232,000 to the medical plan. Plan members eligible for benefits contributed \$31,267, or 100% of the premium costs.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation are summarized as follows:

<u>Year Ended June 30,</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
	\$	%	\$
2010	248,000	93%	18,000
2011	248,124	93%	36,124
2012	248,248	115%	-
2013	270,000	77%	63,000
2014	270,428	90%	89,428
2015	270,607	86%	128,035

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2014 through June 30, 2015, the actuarial accrued liability was \$2,591,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,591,000.

The covered payroll (annual payroll of active employees covered by the plan) was approximately \$4,578,000, and the ratio of the UAAL to covered payroll was 56.6%. As of June 30, 2015, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2012 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions includes a 4.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 10%. The ultimate medical trend rate is 5%. The medical trend rate is reduced .5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2007 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2007.

Projected claim costs of the medical plan are \$9,874 per capita for individuals age 60. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

8. Risk Management

Garner-Hayfield Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

9. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$344,920 for the year ended June 30, 2015 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

10. Construction and other Commitments

The District has entered into a \$92,840 contract for roof repairs. As of June 30, 2015 no costs had been incurred against the contract. The balances remaining at June 30, 2015 will be paid as work on the project progresses.

11. Lease Commitment

The District entered into a contract to lease copiers in fiscal year 2013. The payments the District will make over the next year are as follows:

Year Ended June 30	Lease Payment
2016	\$ 1,752

12. Categorical Funding

The District's restricted fund balance for categorical funding at June 30, 2015 is comprised of the following programs:

Program	Amount
	\$
Preschool	199,007
Mentoring	2,722
Teacher salary supplement	46,032
Model core curriculum	4,000
Core curriculum	82,038
Teacher leadership	7,912
Early readers	22,458
	<u>364,169</u>

13. Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions . an Amendment of GASB No. 27 was implemented during fiscal year 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, GASB 68 requires a state or local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources will not be reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. Beginning net position for governmental and business type activities were restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date, as follows:

	Governmental Activities	Business Type Activities
	\$	\$
Net position June 30, 2014, as previously reported	8,707,372	200,279
Net pension liability at June 30, 2014	(3,964,950)	(130,650)
Deferred outflows of resources Related to contributions made after the June 30, 2013 measurement date	<u>438,607</u>	<u>14,453</u>
Net position July 1, 2014, as restated	<u><u>5,181,029</u></u>	<u><u>84,082</u></u>

14. District Merger

The District merged with the Ventura Community School District on July 1, 2015.

REQUIRED SUPPLEMENTARY INFORMATION

GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses, and Changes in Balances -
Budget and Actual - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2015

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
	\$	\$	\$	Original \$	Final \$	\$
Revenues:						
Local sources	5,421,508	604,137	6,025,645	6,124,889	6,124,889	(99,244)
State sources	6,001,701	3,583	6,005,284	5,381,134	5,381,134	624,150
Federal sources	402,668	188,076	590,744	535,400	535,400	55,344
Total revenues	<u>11,825,877</u>	<u>795,796</u>	<u>12,621,673</u>	<u>12,041,423</u>	<u>12,041,423</u>	<u>580,250</u>
Expenditures/Expenses:						
Instruction	7,583,244	-	7,583,244	7,330,725	7,330,725	(252,519)
Support services	2,894,719	-	2,894,719	2,913,115	2,913,115	18,396
Non-instructional programs	-	794,234	794,234	655,000	655,000	(139,234)
Other expenditures	726,422	-	726,422	1,458,299	1,458,299	731,877
Total expenditures/expenses	<u>11,204,385</u>	<u>794,234</u>	<u>11,998,619</u>	<u>12,357,139</u>	<u>12,357,139</u>	<u>358,520</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	621,492	1,562	623,054	(315,716)	(315,716)	938,770
Other financing sources (uses) net	<u>2,753</u>	<u>-</u>	<u>2,753</u>	<u>-</u>	<u>-</u>	<u>2,753</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses	624,245	1,562	625,807	(315,716)	(315,716)	941,523
Balance beginning of year (as restated)	<u>3,029,495</u>	<u>84,082</u>	<u>3,113,577</u>	<u>3,123,231</u>	<u>3,123,231</u>	<u>(9,654)</u>
Balance end of year	<u><u>3,653,740</u></u>	<u><u>85,644</u></u>	<u><u>3,739,384</u></u>	<u><u>2,807,515</u></u>	<u><u>2,807,515</u></u>	<u><u>931,869</u></u>

GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2015

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Internal Service, Private Purpose Trust, Agency Funds and blended component units. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2015, expenditures in the instruction and non-instructional functions exceeded the amounts budgeted.

GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

Schedule of the District's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System
Last Fiscal Year*

Required Supplementary Information

	<u>2015</u>
District's proportion of the net pension liability	0.077534%
District's proportionate share of the net pension liability	3,074,907
District's covered-employee payroll	5,272,155
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	58.32%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

* The amounts presented for each fiscal year were determined as of June 30.

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

Schedule of District Contributions

Iowa Public Employees' Retirement System
Last 10 Fiscal Years

Required Supplementary Information

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Statutorily required contribution	470,803	453,060	405,614	368,289	307,219	275,592	271,136	241,977	219,884	212,785
Contributions in relation to the statutorily required contribution	<u>470,803</u>	<u>453,060</u>	<u>405,614</u>	<u>368,289</u>	<u>307,219</u>	<u>275,592</u>	<u>271,136</u>	<u>241,977</u>	<u>219,884</u>	<u>212,785</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
District's covered-employee payroll	5,272,155	5,073,456	4,678,362	4,563,677	4,420,422	4,144,239	4,269,851	3,999,620	3,824,070	3,700,609
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.67%	8.07%	6.95%	6.65%	6.35%	6.05%	5.75%	5.75%

GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Pension Liability

Year ended June 30, 2015

Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups - emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers - from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decrease the inflation assumption from 3.25 percent to 3.00 percent.
- Decrease the assumed rate of interest on member accounts from 4.00 percent to 3.75% percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL. UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Pension Liability

Year ended June 30, 2015

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

Adjusted salary increase assumptions to service based assumptions.

Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.

Lowered the inflation assumption from 3.50 percent to 3.25 percent.

Lowered disability rates for sheriffs and deputies and protection occupation members.

GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

Schedule of Funding Progress for the Retiree Health Plan

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a) \$	Actuarial Accrued Liability (AAL) (b) \$	Unfunded AAL (UAAL) (b-a) \$	Funded Ratio (a/b) %	Covered Payroll (c) \$	UAAL as a Percentage of Covered Payroll ((b-a)/c) %
2010	July 1, 2009	-	2,860,000	2,860,000	0.0%	3,574,000	80.0%
2011	July 1, 2009	-	2,860,000	2,860,000	0.0%	3,834,000	74.6%
2012	July 1, 2009	-	2,860,000	2,860,000	0.0%	3,916,000	73.0%
2013	July 1, 2012	-	2,591,000	2,591,000	0.0%	3,885,000	66.7%
2014	July 1, 2012	-	2,591,000	2,591,000	0.0%	4,244,000	61.1%
2015	July 1, 2012	-	2,591,000	2,591,000	0.0%	4,578,000	56.6%

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

SUPPLEMENTARY INFORMATION

GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2015

Assets	Special Revenue Funds				Total
	Management	Student	District	Debt	
	Levy	Activity	Support	Service	
	\$	\$	\$	\$	\$
Cash, cash equivalents and pooled investments	201,587	145,512	5,300	8,491	360,890
Receivables:					
Property tax:					
Delinquent	2,359	-	-	-	2,359
Accounts	12,593	1,627	-	4	14,224
Total assets	216,539	147,139	5,300	8,495	377,473
Liabilities, Deferred Inflows of Resources & Fund Balances					
Liabilities:					
Accounts payable	-	6,434	-	-	6,434
Deferred inflows of resources	-	-	-	-	-
Fund balances:					
Restricted for:					
Debt service	-	-	-	8,495	8,495
Management levy	216,539	-	-	-	216,539
Student activities	-	140,705	5,300	-	146,005
Total fund balances	216,539	140,705	5,300	8,495	371,039
Total liabilities, deferred inflows of resources and fund balances	216,539	147,139	5,300	8,495	377,473

GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds

Year ended June 30, 2015

	Special Revenue Funds				Total
	Management	Student	District	Debt	
	Levy	Activity	Support	Service	
	\$	\$	\$	\$	\$
Revenues:					
Local sources:					
Local tax	247,530	-	-	-	247,530
Other	8,046	425,072	1,220	39	434,377
State sources	3,203	-	-	-	3,203
Total revenues	<u>258,779</u>	<u>425,072</u>	<u>1,220</u>	<u>39</u>	<u>685,110</u>
Expenditures:					
Current:					
Instruction:					
Regular	73,252	-	1,319	-	74,571
Other	-	411,112	-	-	411,112
Support services:					
Administration	14,117	-	-	-	14,117
Operation and maintenance of plant	57,941	-	-	-	57,941
Transportation	20,257	-	-	-	20,257
Other expenditures:					
Long-term debt:					
Principal	-	-	-	86,382	86,382
Interest and fiscal charges	-	-	-	2,505	2,505
Total expenditures	<u>165,567</u>	<u>411,112</u>	<u>1,319</u>	<u>88,887</u>	<u>666,885</u>
Excess (deficiency) of revenues over (under) expenditures	93,212	13,960	(99)	(88,848)	18,225
Other financing sources (uses):					
Transfers in	-	-	-	88,887	88,887
Change in fund balance	93,212	13,960	(99)	39	107,112
Fund balances beginning of year	<u>123,327</u>	<u>126,745</u>	<u>5,399</u>	<u>8,456</u>	<u>263,927</u>
Fund balances end of year	<u>216,539</u>	<u>140,705</u>	<u>5,300</u>	<u>8,495</u>	<u>371,039</u>

GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

Combining Schedule of Net Position
Nonmajor Enterprise Funds

June 30, 2015

	Enterprise Funds		
	School Nutrition	Student Construction	Total
	\$	\$	\$
Assets			
Cash, cash equivalents and pooled investments	47,747	161,452	209,199
Accounts receivable	5,897	-	5,897
Inventories	16,375	2,500	18,875
Capital assets, net of accumulated depreciation	29,236	-	29,236
Total assets	99,255	163,952	263,207
Deferred Outflows of Resources			
Pension related deferred outflows	25,735	-	25,735
Liabilities			
Accounts payable	39,190	2,081	41,271
Interfund payables	15,000	-	15,000
Deferred revenue	8,404	-	8,404
Net pension liability	98,090	-	98,090
Net OPEB liability	3,124	-	3,124
Total liabilities	163,808	2,081	165,889
Deferred Inflows of Resources			
Pension related deferred inflows	37,409	-	37,409
Net position			
Investment in capital assets	29,236	-	29,236
Unrestricted	(105,463)	161,871	56,408
Total net position	(76,227)	161,871	85,644

GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenses, and Changes in Fund Net Position
Nonmajor Enterprise Funds

Year ended June 30, 2015

	Enterprise Funds		
	School Nutrition	Student Construction	Total
	\$	\$	\$
Operating revenue:			
Local sources:			
Sale of student constructed homes	-	349,128	349,128
Charges for service	254,940	-	254,940
Total operating revenue	<u>254,940</u>	<u>349,128</u>	<u>604,068</u>
Operating expenses:			
Non-instructional programs:			
Salaries	175,466	-	175,466
Benefits	24,298	-	24,298
Supplies	255,937	333,901	589,838
Depreciation	4,623	-	4,623
Other	-	9	9
Total operating expenses	<u>460,324</u>	<u>333,910</u>	<u>794,234</u>
Operating income (loss)	<u>(205,384)</u>	<u>15,218</u>	<u>(190,166)</u>
Non-operating revenues:			
State sources	3,583	-	3,583
Federal sources	188,076	-	188,076
Interest income	69	-	69
Total non-operating revenues	<u>191,728</u>	<u>-</u>	<u>191,728</u>
Change in net position	(13,656)	15,218	1,562
Net position beginning of year (as restated)	<u>(62,571)</u>	<u>146,653</u>	<u>84,082</u>
Net position end of year	<u><u>(76,227)</u></u>	<u><u>161,871</u></u>	<u><u>85,644</u></u>

GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

Combining Schedule of Cash Flows
Nonmajor Enterprise Funds

Year ended June 30, 2015

	Enterprise Funds		
	School Nutrition	Student Construction	Total
	\$	\$	\$
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	266,841	-	266,841
Cash payments from sale of house	-	349,128	349,128
Cash paid to employees for services	(175,466)	-	(175,466)
Cash paid to suppliers for goods or services	(216,357)	(184,763)	(401,120)
Net cash (used) provided by operating activities	(124,982)	164,365	39,383
Cash flows from non-capital financing activities:			
State grants received	3,583	-	3,583
Federal grants received	154,839	-	154,839
Net cash provided by non-capital financing activities	158,422	-	158,422
Cash flows from capital and related financing activities:			
Proceeds from (repayment of) bank loan	-	(20,000)	(20,000)
Cash flows from investing activities:			
Interest on investments	69	-	69
Net increase (decrease) in cash and cash equivalents	33,509	144,365	177,874
Cash and cash equivalents at beginning of year	14,238	17,087	31,325
Cash and cash equivalents at end of year	47,747	161,452	209,199
Reconciliation of operating income (loss) to net cash (used) provided by operating activities:			
Operating income (loss)	(205,384)	15,218	(190,166)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:			
Commodities used	33,237	-	33,237
Depreciation	4,623	-	4,623
Decrease (increase) in inventories	(1,821)	157,822	156,001
Decrease (increase) in accounts receivable	4,231	-	4,231
(Decrease) increase in accounts payable	37,953	(8,675)	29,278
(Decrease) increase in deferred revenue	7,670	-	7,670
Decrease in net pension liability	(32,560)	-	(32,560)
Increase in deferred outflows of resources	(11,282)	-	(11,282)
Increase in deferred inflows of resources	37,409	-	37,409
(Decrease) increase in other psotemployment benefits	942	-	942
Net cash (used) provided by operating activities	(124,982)	164,365	39,383

See accompanying independent auditor's report.

GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

Combing Balance Sheet
Capital Project Accounts

June 30, 2015

Assets	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
	\$	\$	\$
Cash, cash equivalents and pooled investments	1,709,633	202,310	1,911,943
Receivables:			
Property tax:			
Delinquent	-	1,002	1,002
Accounts	-	80	80
Due from other governments	118,488	126,566	245,054
Total assets	1,828,121	329,958	2,158,079
Liabilities, Deferred Inflows of Resources & Fund Balances			
Liabilities			
Accounts payable	15,124	12,746	27,870
Deferred inflows of resources:			
Unavailable revenues:			
Income surtax	-	126,566	126,566
Fund balances:			
Restricted for:			
School infrastructure	1,812,997	-	1,812,997
Physical plant and equipment	-	190,646	190,646
Total fund balances	1,812,997	190,646	2,003,643
Total liabilities, deferred inflows of resources and fund balances	1,828,121	329,958	2,158,079

GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Capital Project Accounts

Year ended June 30, 2015

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
	\$	\$	\$
Revenues:			
Local sources:			
Local tax	-	222,502	222,502
Other	8,195	674	8,869
State sources	761,442	1,555	762,997
Total revenues	<u>769,637</u>	<u>224,731</u>	<u>994,368</u>
Expenditures:			
Current:			
Support services:			
Transportation services	91,735	22,250	113,985
Other expenditures:			
Facilities acquisition	203,341	89,274	292,615
Total expenditures	<u>295,076</u>	<u>111,524</u>	<u>406,600</u>
Excess (deficiency) of revenues over (under) expenditures	<u>474,561</u>	<u>113,207</u>	<u>587,768</u>
Other financing sources (uses):			
Transfers out	<u>(88,887)</u>	<u>-</u>	<u>(88,887)</u>
Change in fund balance	385,674	113,207	498,881
Fund balances beginning of year	<u>1,427,323</u>	<u>77,439</u>	<u>1,504,762</u>
Fund balance end of year	<u><u>1,812,997</u></u>	<u><u>190,646</u></u>	<u><u>2,003,643</u></u>

GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2015

<u>Account</u>	Balance Beginning of Year \$	Revenues \$	Expenditures \$	Intra-Fund Transfers \$	Balance End of Year \$
Athletics	(11,419)	96,727	90,437	-	(5,129)
Athletic towel service	6,060	6,815	6,582	-	6,293
Fellowship of Christian athl.	24	-	-	-	24
HS boys track	1,182	3,053	3,626	-	609
HS girls golf	(66)	1,246	1,157	-	23
HS wrestling	1,695	750	1,714	-	731
Girls basketball	38	4,208	3,320	-	926
HS boys basketball	426	6,024	4,796	-	1,654
Girls volleyball	798	7,563	6,833	-	1,528
Football	1,107	2,648	2,270	(201)	1,284
Girls track	960	1,546	1,789	-	717
HS baseball	(909)	3,163	1,787	-	467
HS boys golf	(22)	1,225	1,095	201	309
Softball	3,520	2,890	4,292	-	2,118
Cross country	(19)	4,300	2,012	-	2,269
Weight room	1,219	2,000	904	-	2,315
Middle school athletics	1,551	-	-	-	1,551
Athletic uniforms	(2,406)	26,598	13,702	-	10,490
Coach's apparel	161	1,927	1,375	-	713
MS coach's apparel	171	-	-	-	171
Soccer	20	3,244	2,891	-	373
Cheerleading fund	4,865	2,936	3,703	-	4,098
Pep club	650	-	-	-	650
Student council	4,089	3,415	3,580	-	3,924
Jr. Hi. student council	3,890	9,206	6,653	-	6,443
Curtain club	5	-	-	-	5
Peer helper association	4	-	-	-	4
Que pasa	877	-	-	-	877
Spanish trip	-	8,919	865	-	8,054
Class of 2004	920	-	-	-	920
Class of 2007	255	-	-	-	255
Class of 2008 (2017)	101	928	-	-	1,029
Class of 2010	260	-	-	-	260
Class of 2012	165	-	-	-	165
Class of 2013	2,720	-	-	-	2,720
Class of 2014	7,540	-	2,348	-	5,192
Class of 2015	1,628	3,618	2,065	-	3,181
Class of 2016	2,400	3,834	4,506	-	1,728
Investments	11,478	40	-	-	11,518
N.O.W. interest	14,799	692	-	-	15,491

GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2015

<u>Account</u>	Balance Beginning of Year \$	Revenues \$	Expenditures \$	Intra-Fund Transfers \$	Balance End of Year \$
Art resale	78	-	-	-	78
FFA	13,502	56,906	48,830	-	21,578
FCCLA	2,067	2,282	2,576	-	1,773
National Honor Society	615	953	984	-	584
Retail marketing	685	-	-	-	685
NCIBA honor band	16	-	-	-	16
Band trip	585	-	-	-	585
Flag & rifle	612	2,162	1,705	-	1,069
HS solo & ensemble contest	1,933	4,060	5,111	-	882
Jr. Hi. solo & ens. contest	(96)	-	50	-	(146)
Impulse dance club	292	2,035	2,178	-	149
Annual	2,989	6,407	6,502	-	2,894
MS annual	34	-	-	-	34
HS concessions	1,689	1,001	1,889	-	801
K-8 concessions	1,163	951	1,800	-	314
Speech & drama	12,073	8,021	5,175	-	14,919
Musical productions	4,049	3,876	5,368	-	2,557
PSAT testing	109	294	294	-	109
Video yearbook	698	-	-	-	698
Sports Boosters Blended Component Unit	4,084	154,751	158,852	-	(17)
June 30, 2014 accruals	18,831	(29,769)	(10,938)	-	-
June 30, 2015 accruals	-	1,627	6,434	-	(4,807)
Total	126,745	425,072	411,112	-	140,705

GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds

For the Last Ten Years

	Modified Accrual Basis									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenues:										
Local sources:										
Local tax	2,845,009	2,961,798	3,325,818	3,120,687	3,410,793	3,156,335	2,916,015	3,136,980	2,932,241	2,650,276
Tuition	1,519,941	1,350,862	1,334,550	811,293	629,391	507,394	514,318	541,096	559,543	466,075
Other	1,056,558	1,123,084	1,037,888	707,269	702,575	558,589	756,176	588,427	503,640	443,198
State sources	6,001,701	5,848,941	4,442,345	4,458,924	3,942,013	3,484,311	4,037,150	4,026,531	3,681,329	3,646,422
Federal sources	402,668	324,223	264,037	311,119	511,337	726,769	183,449	178,780	198,829	173,573
Total revenues	<u>11,825,877</u>	<u>11,608,908</u>	<u>10,404,638</u>	<u>9,409,292</u>	<u>9,196,109</u>	<u>8,433,398</u>	<u>8,407,108</u>	<u>8,471,814</u>	<u>7,875,582</u>	<u>7,379,544</u>
Expenditures:										
Instruction:										
Regular	4,762,536	4,574,835	4,232,057	3,501,592	3,443,140	3,140,202	3,316,379	3,155,814	2,967,579	2,849,038
Special	1,310,745	1,169,467	1,132,747	852,786	923,119	793,146	927,512	906,536	786,133	809,777
Other	1,509,963	1,600,990	1,609,558	1,456,049	1,411,726	1,232,549	1,104,618	1,122,800	1,003,514	903,305
Support services:										
Student	506,931	479,630	398,405	461,197	380,744	357,455	401,811	284,844	272,471	246,198
Instructional staff	270,665	315,803	238,459	506,661	109,069	101,943	143,993	113,639	88,734	86,194
Administration	907,701	814,284	777,048	771,232	658,468	614,114	678,584	645,190	811,925	728,692
Operation and maintenance	841,988	816,460	746,453	665,560	700,890	685,471	647,492	663,853	625,808	710,105
Transportation	367,434	306,011	348,249	234,016	282,548	220,630	181,881	206,869	234,521	172,865
Other expenditures:										
Facilities acquisition	292,615	475,504	444,136	491,988	444,831	666,399	399,762	600,991	204,914	173,524
Long-term debt:										
Principal	86,382	83,948	81,582	88,887	272,468	260,239	249,984	243,741	333,089	324,565
Interest and other charges	2,505	4,939	7,305	-	12,682	24,176	33,231	41,672	52,874	63,180
AEA flowthrough	344,920	322,847	299,391	305,633	325,748	316,862	271,295	266,662	248,462	238,664
Total expenditures	<u>11,204,385</u>	<u>10,964,718</u>	<u>10,315,390</u>	<u>9,335,601</u>	<u>8,965,433</u>	<u>8,413,186</u>	<u>8,356,542</u>	<u>8,252,611</u>	<u>7,630,024</u>	<u>7,306,107</u>

See accompanying independent auditor's report.

GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards

Year ended June 30, 2015

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u> \$
Direct:			
U.S. Department of Health and Human Services:			
Drug Free Communities Support Program Grants	93.276	FY15	<u>77,601</u>
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY15	20,939
National School Lunch Program (non-cash)	10.555	FY15	33,237
National School Lunch Program	10.555	FY15	<u>133,900</u>
			<u>188,076</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I, Part A Cluster:			
Title I Grants to Local Educational Agencies	84.010	FY15	<u>86,098</u>
Special Education - Grants to States	84.027	FY15	<u>3,660</u> *
Safe and Drug Free Schools and Communities - National Programs	84.184	FY15	<u>113,868</u>
Improving Teacher Quality State Grants	84.367	FY15	<u>14,683</u>
Grants for State Assessments and Related Activities	84.369	FY15	<u>4,195</u>
Area Education Agency #267:			
Special Education Cluster (IDEA)			
Special Education - Grants to States	84.027	FY15	<u>37,067</u> *
Mason City Community School District:			
Career and Technical Education - Basic Grants to States	84.048	FY15	<u>7,268</u>
Subtotal Indirect			<u>454,915</u>
Total			<u><u>532,516</u></u>

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of Garner-Hayfield Community School District and is presented on the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Nonprofit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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Independent Auditor's Report on Internal Control
Over Financial Reporting and on compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Board of Education of
Garner-Hayfield Community School District:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Garner-Hayfield Community School District and of and for the year ended June 30, 2015, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated June 29, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Garner-Hayfield Community School District's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Garner-Hayfield Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Garner-Hayfield Community School District's Internal Control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified deficiencies in internal control we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as item 15-II-A to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items 15-II-B and 15-II-C to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Garner-Hayfield Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part IV of the accompanying Schedule of Finding and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2015 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Garner-Hayfield Community School District's Responses to the Findings

Garner-Hayfield Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Garner-Hayfield Community School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Garner-Hayfield Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

BURTON E. TRACY & CO., P.C.
Certified Public Accountants

June 29, 2016

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Independent Auditor's Report on Compliance
for Each Major Federal Program, on Internal Control over Compliance
Required by OMB Circular A-133

To the Board of Education of
Garner-Hayfield Community School District:

Report on Compliance for Each Major Federal Program

We have audited Garner-Hayfield Community School District's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015. Garner-Hayfield Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Garner-Hayfield Community School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Garner-Hayfield Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Garner-Hayfield Community School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Garner-Hayfield Community School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

The management of Garner-Hayfield Community School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Garner-Hayfield Community School District's internal control over compliance with the types of requirements that could have a direct and material effect on

each major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Garner-Hayfield Community School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a deficiency in internal control over compliance we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 15-II-A to be a material weakness.

Garner-Hayfield Community School District's response to the internal control over compliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. Garner-Hayfield Community School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

BURTON E. TRACY & CO., P.C.
Certified Public Accountants

June 29, 2016

GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2015

Part I: Summary of the Independent Auditor's Results:

- (a) Unmodified opinions were issued on the financial statements.
- (b) A material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major programs were disclosed by the audit of the financial statements.
- (e) An unmodified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - Child Nutrition Cluster
 - CFDA Number 10.553 . School Breakfast Program \$ 20,939
 - CFDA Number 10.555 . National School Lunch Program \$ 133,900
 - CFDA Number 10.555 . Food Donation Program \$ 33,237
 - Title I CFDA Number 84.010 . Title I Grants to local education agencies \$86,098
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Garner-Hayfield Community School District did not qualify as a low-risk auditee.

GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2015

Part II: Findings Related to the Financial Statements:

Internal Control Deficiencies:

- 15-II-A Segregation of Duties: The limited number of personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities, such as recording and processing cash receipts, preparing checks and bank reconciliations, processing payroll, preparing and posting general journal entries, preparation of journals and general financial information for ledger posting, and the analysis of financial information. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability, although we noted the District had taken steps to segregate duties between the present personnel. This is not an unusual condition but it is important that District officials are aware that the condition exists.

Recommendation: We realize segregation of duties is difficult with a limited number of office employees. However, the District should review its procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials.

District Response: We will continue to review our procedures and implement additional controls where possible.

Conclusion: Response accepted.

- 15-II-B Financial Statement Preparation: Financial statement preparation is the responsibility of the District. At the present time District personnel do not have the skills necessary to be able to write the District's financial statements and the related note disclosures. This is not an unusual situation for small governmental entities.

Recommendation: District personnel should attend any governmental accounting and reporting training sessions that may be offered by the Iowa Department of Education, State Auditor's Office or Iowa Association of School Business Officials. The school business office should also have governmental accounting and reporting reference materials.

District Response: As a school we certainly understand the need for continuing education classes for all of our staff. However, we have a limited budget and must continually prioritize needs. At this point in time it is not cost effective to train our staff to the level necessary that would enable them to write the financial statements, nor is it feasible to hire additional employees that already possess the skills.

Conclusion: Response accepted.

GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2015

Part II: Findings Related to the Financial Statements (continued):

15-II-C Signature Stamp: We noted that a stamp bearing the signature of the Board President is used to cosign checks. The board secretary, the other co-signer of the checks has access to the stamp. This practice negates the internal control procedure established by requiring two signatures on a check.

Recommendation: We recommend that this practice cease. The board may designate a person other than the board president to cosign checks. If a signature stamp is used, it should remain under the control of the person whose name the stamp bears at all times.

District Response: We will discuss methods to limit access to the signature stamp.

Conclusion: Response accepted.

GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2015

Part III: Findings and Questioned Costs For Federal Awards:

Instances of Non-Compliance:

No matters were noted.

Internal Control Deficiencies:

No matters were reported.

GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2015

Part IV: Other Findings Related to Required Statutory Reporting:

- 15-IV-A Certified Budget: Expenditures for the year ended June 30, 2015, exceeded the certified budget amount budgeted in the instruction and non-instructional functions.

Recommendation: The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures exceeded the budget.

District Response: Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion: Response accepted.

- 15-IV-B Questionable Expenditures: No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

- 15-IV-C Travel Expenses: No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

- 15-IV-D Business Transactions: Business transactions between the District and District officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>
David Zrostlik, school board member and board member of local bank	School banking

Recommendation: The District should consult with its attorney before entering into any banking agreements with the above bank.

District Response: We will consult with our attorney.

Conclusion: Response accepted.

- 15-IV-E Bond Coverage: Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of bond coverage should be reviewed annually to insure that the coverage is adequate for current operations.

- 15-IV-F Board Minutes: No transactions requiring board approval that had not been approved by the board were noted.

- 15-IV-G Certified Enrollment: The basic enrollment data certified to the Department of Education was understated by 1.34 students.

Recommendation: The District should review its control procedures to ensure accurate counts in the future.

District Response: We will continue to review our procedures and implement additional controls where possible.

GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2015

Part IV: Other Findings Related to Required Statutory Reporting (continued):

Conclusion: Response accepted.

- 15-IV-H Supplementary Weighting: No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- 15-IV-I Deposits and Investments: No instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.
- 15-IV-J Certified Annual Report: The Certified Annual Report was certified to the Iowa Department of Education timely.
- 15-IV-K Categorical Funding: No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- 15-IV-L Statewide Sales, Services and Use Tax: No instances of non-compliance with the allowable uses of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2015, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

	\$	\$
Beginning balance		1,427,323
Revenues:		
Statewide sales, services and use tax revenue	761,442	
Other	8,195	769,637
		<u>2,196,960</u>
Expenditures:		
Facility acquisition	203,341	
Transportation	91,735	
Transfers to Debt Service	88,887	383,963
		<u>1,812,997</u>
Ending balance		

- 15-VI-M Deficit Balances: The Activity fund has a few accounts with deficit balances at June 30, 2015.

Recommendation: The District should continue to monitor these accounts and investigate alternatives to eliminate the deficits.

District Response: We are working on ways to eliminate the deficits.

Conclusion: Response accepted.